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C O N F I D E N T I A L SECTION 01 OF 02 AMMAN 003430

SIPDIS

STATE ALSO FOR A/S WAYNE
NSC FOR EDSON/KIFAYAT
TREASURY FOR J. ZARATE, A. DEMOPULOS
CPA FOR OLIN WETHINGTON, JOHN VARDAMAN

E.O. 12958: DECL: 05/05/2014

TAGS: [EFIN](#) [ETTC](#) [PREL](#) [1Z](#) [JO](#)

SUBJECT: JORDAN: UPDATE ON IRAQI ASSETS

Classified By: CDA DHALE for Reasons 1.5 (b) and (d).

[11.](#) (C) SUMMARY: Jordanian Finance Minister Abu Hammour told us that to date \$170 million in frozen Iraqi assets had been released to settle Jordanian commercial claims, with an additional \$60 million agreed for release last week. (\$235 million has been transferred to Iraq to date.) He said the recent payments were made only after Rafidain Bank in each instance had provided a &clearance8 from potential Iraqi counter-claimants. Abu Hammour undertook to provide the Embassy complete background information on these paid claims within ten days and that payments would be returned if any are found to be fraudulent. He asserted that this move protected Iraqi interests and the stability of Jordan's banking sector. Remaining outstanding claims, estimated to value \$30 million &at the maximum,8 were under review, and the GOJ hoped to complete the process by mid June. Abu Hammour agreed to transfer this month any frozen assets in excess of these outstanding claims. Charge will see Abu Hammour later this week t o nail down that amount, over which there was a lack of clarity. Abu Hammour reiterated his desire to host an Iraqi team to review the claims in detail. END SUMMARY.

[12.](#) (C) In a May 4 meeting with Charge, Iraqi Finance Ministry advisor John Vardaman, and Iraqi officials, Jordan's Finance Minister Mohammad Abu Hammour reviewed the history of Jordan-U.S.-Iraq discussions on the protection of Iraqi assets in Jordan as well as of the interests of Jordanian claimants. He acknowledged that ministerial committee review of Jordanian claims was ongoing, with the intention to complete the process by mid-June 2004. No claims presented after September 2003 had been accepted. Payments to date to Jordanian claimants totaled \$170 million; another \$60 million in payments were approved last week. When challenged by the Charge that this action was inconsistent with our agreement that no further payments would be made pending Iraqi review of the claims, Abu Hammour made several points:

--Jordan took this action to settle the credit lines of Jordanian commercial banks, which must pay interest on these accounts. There was a real fear that Jordan,s banking sector was at risk if these payments were not made.

--The committee was acting very conservatively. The government has settled only those claims which are supported by ten required documents. Furthermore, the recent payments had been &cleared8 through Rafidain Bank with the potential counter-claimants in Iraq. He judged the risk of fraud to be low.

--The payments were being made to commercial bank claimants only. Abu Hammour maintained that the Central Bank of Jordan had &guarantees8 from those banks that the money would be re-paid in full should official Jordanian-Iraqi review of the claims indicate fraud or error.

--Abu Hammour agreed to provide full background details on paid claims to the Embassy within ten days, to share with Iraqi authorities.

[13.](#) (C) Vardaman regretted that Iraqi ministerial review of the claims had taken longer than expected, and assured Abu Hammour that a review team would travel to Amman as soon as possible to close the books. Abu Hammour welcomed the idea, noting that it should include Finance, Trade and Industry, and Central Bank officials. Vardaman noted that the UNSCR 1483 calls for the transfer of frozen assets to the Development Fund for Iraq (DFI), with payment to claimants to be made only later after review by the new Iraqi government. Abu Hammour said that his government could not tell Jordanians with claims to go to Iraq to get their money, as the process would take years. The interest accrued would greatly surpass the amounts of the original claims. Jordan preferred to settle the claims here and then re-pay the full amount if problems are discovered with the claims after further review in coordination with Iraq. He said Jordanians

realize they will never recover the full amounts they claim. However, Jordan has already been waiting six months for the Iraqi mission. Whenever the Iraqi mission does come, the government will share all the information and guarantee full payments if claims are shown to be fraudulent.

14. (C) In reviewing the status of the Iraqi assets, Abu Hammour provided the following estimated figures:

Total frozen assets: \$620 million (\$550 million plus \$70 million of SOMO assets).

Transfers to date to DFI: \$235 million.

Paid to Jordanian claimants: \$170 million, with an additional \$60 million agreed for payment.

Maximum value of potentially valid outstanding Jordanian claims: \$30 million.

Abu Hammour said Jordan intended to complete review of those outstanding claims by mid-June. When asked by Vardaman, Abu Hammour agreed that the excess balance above the \$30 million would be transferred to DFI this month, pending agreement by the ministerial review committee. He estimated that figure to be between \$70 and 120 million. Note: He was clearly including Rafidain's paid-in capital of \$60 million in that higher end estimate. One of the Iraqi Finance Ministry officials noted to us later that Iraq would not be interested in bringing those funds back to Iraq, preferring to leave them in Jordan as operating capital for Rafidain. In a follow-up conversation, the Finance Ministry's Secretary General said that the committee review was ongoing and the figures provided by the minister about the remaining balance should be regarded as general in nature. He promised to provide the final figures once the committee review of this possible transfer was complete, hopefully this week. He was unwilling to agree that the amount available for transfer to Iraq would be between \$70-120 million. End Note.)

15. (C) A discussion ensued about the \$1.3 billion Central Bank claim on Iraq, including a lively exchange with Saladin Giata, one of the Iraqi finance officials, as to whether the amount constituted a sovereign debt or, as Jordan insists, a clearing account monies. Giata asserted that not all of the \$1.3 billion in trade claims on the Central Bank of Iraq were covered by the Jordan-Iraq trade protocol and those funds should therefore be considered debt. Abu Hammour insisted that the funds were part of a clearing account, not sovereign debt, as there had been no loan agreement. He reviewed the history of the accumulation of this account over the years in familiar, previously reported terms. If the funds were to be considered debt, Abu Hammour asserted the IMF would then require Jordan to bring the amount before the Paris Club. (Separately, Central Bank Governor Tougan said that if the amount constituted sovereign debt, then his bank was in violation of the law, as it had no authority for such loans.) Abu Hammour added that in the past, Jordan pointed to the trade protocol with Iraq to explain the nature of the account to external auditors. Without an agreement with Iraqi on the disposition of the funds, or some Iraqi letter of explanation, Jordan had a balance sheet problem. It would be under pressure to make provisions to re-capitalize the \$1.3 billion or fail the next audit. The Finance Ministry did not have the resources to cover this amount.

16. (C) Comment: We have two commitments from Abu Hammour: a) to provide an accounting on the unfortunate, recent payments to Jordanian commercial claimants and b) to transfer those assets which exceed outstanding claims of \$30 million under review. Charge will see Abu Hammour soon to clarify what that amount will be.

17. (U) John Vardaman cleared this message in draft.

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